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The Montana Economic Developers Association is dedicated to the economic well-being of Montana. As an association of people who have dedicated their professional lives for the betterment of Montana, we want to say thank you for taking time to discuss the economic conditions of Montana as we all work through a time that has left much doubt and uncertainty. We greatly appreciate your leadership and your support.

As a network of economic developer professionals across the State, we have come together to ask each of you, as our Congressional and State leadership, and Partners, to consider working with us to develop and revise a series of programs that will assist us as we continue to stand ready to serve all of Montana.

It is our belief that we can respond in a positive way to the economic crisis that will result from the wake of the COVID-19 pandemic. We stand together to work, to build, and to be the conduit for resources that provide true immediate relief for all of Montana businesses. Please review the following and contact our Executive team if there needs to be any working groups formed to assist your staff, to provide more information, or be a guiding factor as programs for economic relief are released.

The first request that many of us are receiving from our business community is the need for hope. We ask that all leaders look at giving encouragement, providing daily communications that show some positivity during these difficult days, and that a continuation of the spirit of working together to heal our country for the health and welfare of our people and of our businesses.

**1. Create the Mini-Grant COVID-19 Relief Program:**

**This could be partnered with the State through Coal Tax Funds or Montana Board of Investment funds.**

- Through USDA-RD or the US Dept. of Commerce EDA Program create \$30+ million funds for small operational grants to businesses, especially frontline companies like retail, salons and spas, restaurants, breweries, hotels, event venues, etc. that are seeing the immediate effects on their business.

Grants \$2,500 to \$5,000 to help a business keep employees and to help bolster the morale of our communities. Ghost town appearances with the closure of our main streets are causing not only economic hardship but impacting the overall health of our communities.

- Unleash the Montana Board of Investments and the BSEDTF Principal Balance. Make available 10% of the Montana Coal Trust. Mainly, create a \$10 Million grant program that can be immediately accessed and released to Montana Businesses.

Our team of developers will be the conduit to help with applications to ensure that the businesses meet standards for sustainability, but we need these grant dollars immediately and without all the normal

requirements of long-term planning. Though we all believe in the need for business planning we ask that new grant funds be based on a review by our economic developers, SBDC's, or other economic partners like the Manufacturing Extension Center and Montana Cooperative Development Center, for recommendations and expedited awards. We are asking for days to turn around these dollars, not weeks or months.

## **2. Reboot the SSBCI (State Small Business Credit Initiative) - Call it the State Small Business Stabilization Initiative**

Seek a \$20 million allocation of Treasury dollars to support Round Two of the SSBCI and call it the SSBSI (State Small Business Stabilization Initiative). Use the existing network of lenders at EDOs and CRCDs that participated in the first round of SSBCI or that have existing Revolving Loan Funds in place that can modify and act quickly. Allow these loans to be at 1% to 2% , with principal repayments being retained by the local EDO or CRCD to build capacity and for future lending (consistent with the first SSBCI program)

Provide reimbursement to local EDOs and CRCDs who are willing to use their current SSBCI principal funds as "stabilization grants" for local small businesses. This way grant dollars are out the door asap, with the promise of federal reimbursement

## **3. Stabilize and Expand the Capacity of the Current Economic Development Loan Fund Network:**

- Fund the existing Revolving Loan Funds (USDA, EDA, etc.) with stimulus dollars as they are existing programs and we can quickly modify the work plans to accommodate emergency funds. Many of our organizations are already loaning out dollars in an expedited manner up to \$10,000. It is important to remember that the focus is payroll, immediate cash flow needs. We are experiencing a depletion of loan funds and need an immediate influx to manage and respond to the need.
- Waive, for a short time, the matching requirement for any new dollars released for revolving loan funds (i.e. waive the 25% match for IRP and RMAP of Rural Development).
- Provide a forgiveness or forbearance for Economic Development Organizations regarding their principal repayment of the IRP program through USDA-RD, with the assumption that those funds could then be used as emergency grant funds. Example, South East Montana Development Corporation has a \$10,000 payment April 1<sup>st</sup>, by deferring or forbearing that payment they can utilize those funds immediately in the communities they serve.
- Regarding the USDA - RD Program specifically:
  - Suspend work plan requirements (will give us lots of flexibility on loan approvals and terms).
  - Forgive the USDA IRP loans to the Intermediary in total. Our organizations with IRP funding will agree to use the funds to lend to businesses and provide services to businesses in their respective region.
    - As an example, the USDA portion of the loan to Prospera no longer has to be repaid. The funds would work like our local revolving loan funds do so the Intermediary can lend the funds as needed and use interest payments to ensure its own operating cash flow.
  - This would only leave the MT BOI portion to be repaid, unless they adopt a similar approach.
- Expand the classification of economically distressed regions/areas/census codes.
- Encourage CDFI, USDA-RD, EDA, and SBA to move quickly on creating flexible guidelines for current loan funds. Increase the discretion at the local lever specific to latitude in terms for lending.

- In similar notation, utilize the US Treasury and expand the CDFI program funds. Allow for flexibility of the contracted CDFI's and build capacity for lending.
- For CDFI and/or CDBG and EDA to waive or suspend all the rules and limitations to access these programs only to Opportunity Zones or areas with low and moderate income, high unemployment. Grants offered from these agencies should have zero matching funds required for the time being until recovery goals are met.

#### **4. Equal the playing field:**

Montana Cooperatives, and all Cooperatives in the US, are stifled by the SBA and lending institutions requirement for personal guarantees. This will prevent the for-profit cooperatives like our rural grocery stores, farm supply stores, worker cooperatives, retail cooperatives, from accessing the SBA Emergency Injury and Disaster Loan program.

Though the SBA has said that "small agriculture cooperatives" are eligible, however, there is no definition of what constitutes "small" and what about all the other active cooperatives across the US and Montana. The rules for the SBA EIDL are confusing and contradictory for cooperatives and need to be amended to allow for cooperatives to apply. Cooperatives are a business and should have the same access to relief programs as any other business.

This is a long-term problem and needs a long-term fix. Lending Institutions regulations on personal guarantees need to be modified for cooperatives now and in the future.

#### **5. Put Business Recovery First:**

- Lower the SBA EIDL interest rate to 1% or at no interest as many businesses cannot handle the burden of another loan. Defer all payments for 6 to 12 months to allow the businesses to recover.
- Expand the USDA - RD RDBG (Rural Development Business Grant) monies and allow for a second round of application in April and May. Remove any matching funds preference.
- Temporarily Waive, for 6 months, the federal payroll and social security taxes for both employers and employee payroll dedications. This would put money into paychecks and assist businesses with cash flow.
- US Labor and Montana DLI need to ensure that the proposed Unemployment Benefits waiver happens- no waiting for one to two weeks.
- Ensure when all this is over, that unemployment insurances and federal taxes of any form are NOT increased for employers.
- Push regulatory change at the state and federal level to allow lending institutions to grant forbearance or deferment of loans (conventional, SBA, USDA guarantees, etc.) so that a modification during this time does not lead to any risk rating the loan (in the regulators eyes) as a Criticized/Classified loan.

Time is of the essence, so this cannot be a drawn-out process as we are already losing jobs and businesses. Example, in the six counties that Snowy Mountain Economic Development Corporation serves 114 jobs have already been lost. We must act fast and by providing flexibility for our banking institutions this can be the first line of saving our overall state economy.

## **6. Build Multi-Agency Response - Do Not Burden One Agency**

Focus attention on a multi-agency mobilization of federal relief. Right now, the burden falls on the SBA Offices. It needs to be highlighted that many of our communities are miles/hours away from SBDC centers. Expand the points of access for emergency funding. A network of State, Regional, and local economic developers stand ready to help. Make the partnership and allow them to be on the ground and continue to listen to the needs as we know them to be.

Bring all the agencies together to build a task force for a response and to determine how to layer and revise programs in a timely fashion (again in days not weeks or months). EDA, USDA-RD, USDA-RUS, State and local, etc. all need to be invited and work together to respond. SBA is a wonderful agency and one we support completely, but we are afraid of burnout and bottlenecks if they are the only agency responding.

## **7. Create Stimulus Jobs:**

Montana needs to push through all the applications on the local government level for infrastructure, schools, and other programs. Put people to work and bolster the local economies through the people who can spend money on our main streets.

## **8. Support Capacity of Economic Developers:**

- Montana Economic Developers stand ready to meet the demands and to work with our Federal and State partners. However, our capacity is already strained. Many of us rely on membership and local contributions from our business communities. In the long run, the overall health of our organizations to be viable and help in this time of crisis, is in jeopardy. We ask that there be \$500,000 set aside from the Montana Board of Investment/Coal Tax/BSEDTF to supply minimal working grant funds for our organizations that are struggling over the course of the year to stay open. The long term effects will impact all of us as businesses and local economies are recovering.
- Build Capacity in the SBDC Network—provide added SBA dollars for Montana’s Small Business Development Center network so that we can build capacity for those programs that consult with small business (right now most SBDCs are one-person operations). Ask for \$2 million per year for the next 3 years.

## **9. Long-Term Strategy to Address the Legacy Impact of Covid 19**

Now is the time to think long-term about key investment in workforce development and infrastructure

- Provide additional federal EDA grants for infrastructure investments at the local level that support private investment projects; and add a provision that leverages more federal dollars when state infrastructure dollars are also committed to the project. These should be projects that have a direct connection to new private investment and job creation
- Provide an added federal match for local career and technical education programs

## **10. Maintain MT Airport Capital Improvement Plans**

Montana airports have capital improvement plans in progress or on the drawing board. These projects are funded, in large part, by fees on airline ticket sales. No more ticket sales, no more fees. Federal transportation should fund anticipated fee revenue losses so that Montana airport projects can move forward

## **11. The Montana Women’s Business Center (at SBA).**

This program helps us serve everyone in business, but it operates as a reimbursement to Prospera with very long wait times. (For example we have to spend and carry all the expenses for up to 6 months in the Fall before being reimbursed).

Convert the enter program into a “grant” with upfront payments (advanced payments) to the WBC’s. Drop or suspend all matching fund requirements. This would be a huge help to Prospera’s WBC cash flow and not cost the federal program any additional funds. Just make it a grant in advance, waive all the processes and long delays in funding. This will allow us to provide consistent business support services.

**For the State of Montana Specifically:**

The operations of our local development organization and the CRDC’s are deeply affected by recent events. As a “front-line” service provider connecting businesses to state and federal support programs, we suggest these changes to improve our own cash flow so our staff and support services can be sustained through this emergency.

- Make the CRDC contract an advance grant payment to the CRDC’s as a monthly payment and change reporting requirements to 2x a year.
- Do the same for the MT Dept. of Ag Food and Ag Development Centers. Dole the funds awarded out as a monthly payment to the FADCs.

This does not cost the state any additional funding but the process and access to those funds for front-line non-profits providing services will be greatly expedited. Please consider bolstering our Statewide Organizations as well, like the SBDC, MMEC, MCDC, Women’s Business Center, and others in an immediate need to ensure that resources and assistance remain active and engaged throughout the recovery process.

We greatly appreciate the opportunity to share our thoughts on potential solutions and tools to help navigate the new economic conditions of our state. We want to stress that we are doing this with the intent of remaining focused on business and community needs that continue to be issues/concerns with our communities; workforce, childcare, etc.

As the leaders for Economic Development in Montana, we remain dedicated to finding working solutions and we will continue to move forward with our Next Generation Project. This project is needed now more than ever given the situation of today, and we as the economic developers must be able to respond.

Signed on behalf of the MEDA Board listed below,



Steve Arveschoug, MEDA President; Big Sky EDA  
Jim Atchison, Southeastern Montana Development Corp.  
Chris Cerquone, New Fields  
Sarah Converse, Sweetgrass Development  
Brett Doney, Great Falls Development Authority  
Rick Edwards, NorthWestern Energy  
Beth Epley, Eastern Plains Economic Development Corp.  
Craig Erickson, Great West Engineering  
Paddy Fleming, Montana Manufacturing Extension Center  
Russ Fletcher, MATR.net  
Tim Guardipee, Native American Development Corp.  
Marie Hirsch, Lake County Community Development  
Sara Hudson, Snowy Mountain Development Corporation

Grant Kier, Missoula Economic Partnership  
Tori Matejovsky, Great Northern Development Corp.  
Tracy McIntyre, Montana Cooperative Development Cr.  
Leslie Messer, Richland Economic Development  
Kim Morisaki, Montana West Economic Development  
Brian Obert, Montana Business Assistance Connection  
Paul Reichert, Prospera Business Network  
Toni Schneider, Cushing Terrell  
Paul Tuss, Bear Paw Development Corporation  
Adam Vauthier, Anaconda Local Development Corp.  
Joe Willauer, Butte Local Development Corporation